

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-01 INR-07 NSAE-00 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 /088 W

----- 120025

R 041744Z APR 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 9180

INFO AMEMBASSY BERN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

USMISSION EC BRUSSELS

USMISSION OECD PARIS

AMCONSUL FRANKFURT

UNCLAS SECTION 01 OF 02 BONN 05523

DEPARTMENT PASS TREASURY AND FEDERAL RESERVE

E.O. 11652: N/A

TAGS: EFIN, GW

SUBJECT: FINANCIAL DEVELOPMENTS (WEEK ENDING APRIL 3)

REF: BONN 5087 AND BONN A-350 OF JULY 11, 1974

1. REPORTING REQUIREMENT FOR GOLD TRANSACTIONS OF DOMESTIC BANKS: ON MARCH 25, THE BUNDESBANK INTRODUCED A REPORTING REQUIREMENT FOR DOMESTIC BANKS' ASSETS AND LIABILITIES IN GOLD AND OTHER RARE METALS AND THEIR ENGAGEMENT IN FORWARD TRANSACTIONS IN SUCH METALS. FIRST REPORTS HAVE TO BE MADE FOR THE STATUS OF THE BANKS' AS OF THE END OF APRIL 1975. AT THE SAME TIME
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THE BUNDESBANK SIMPLIFIED THE REPORTING REQUIREMENT FOR

FORWARD FOREIGN EXCHANGE TRANSACTIONS OF DOMESTIC BANKS
SO THAT BREAKDOWNS OF FORWARD ENGAGEMENTS BY CURRENCIES
(US DOLLARS AND POUNDS STERLING)
AND BY MATURITY ARE NO LONGER REQUIRED. (THE REPORTING
REQUIREMENT FOR THE BANKS' FOREIGN EXCHANGE TRANSACTIONS
WAS INTRODUCED ON JUNE 5, 1974 FOLLOWING THE
FAILURE OF THE HERSTATT BANK -- SEE BONN A-350 OF
JULY 11, 1974.)

2. FOREIGN EXCHANGE MARKET: THE DOLLAR STRENGTHENED
WITH THE SPOT DOLLAR RATE RETURNING TO A LEVEL WHICH
LAST PREVAILED IN EARLY FEBRUARY. DURING THE
REPORTING WEEK SPOT AND FORWARD DOLLAR RATES DEVELOPED
AS FOLLOWS:

	FORWARD DOLLARS		
	(DISCOUNTS IN PCT.P.A.)		
SPOT DOLLARS	ONE-MONTH	THREE-MONTH	
MAR 27	DM 2.3405	-1.8	-1.8
APR 1	2.3445	-1.8	-1.9
2	2.3324	-1.5	-2.0
3	2.3510	-2.6	-2.6

WITHIN THE JOINT FLOAT THE DEUTSCHEMARK REMAINED THE
WEAKEST CURRENCY BUT NONE OF THE FLOAT CURRENCIES REACHED
ITS UPPER DEUTSCHEMARK INTERVENTION POINT.

3. MONEY MARKET: AT THE END OF MARCH THE GERMAN CALL
MONEY MARKET EASED SUBSTANTIALLY SINCE BANKS HAD FUL-
FILLED MARCH RESERVE REQUIREMENTS BEFORE THE END OF
THE MONTH. IN APRIL, HOWEVER, THE CALL MONEY RATE
INCREASED AGAIN BUT DID NOT REACH THE CURRENT 5 PERCENT
REDISCOUNT RATE DESPITE THE TERMINATION AT THE END OF
MARCH OF THE SPECIAL DM 2.5 BILLION INCREASE IN THE
BANKS' REDISCOUNT QUOTAS (SEE BONN L308). DURING THE
REPORTING WEEK FRANKFURT INTERBANK MONEY RATES DEVELOPED
AS FOLLOWS:

CALL MONEY ONE-MONTH MONEY THREE-MONTH MONEY
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MAR 27	0.5-1.5	4.5-5.0	4.8-5.3
APR 1	4.6-5.0	4.5-5.0	4.9-5.4
2	4.3-4.7	4.5-4.9	4.9-5.3
3	3.3-3.6	4.4-4.7	4.7-5.0

4. MONETARY RESERVES: IN THE THIRD WEEK OF MARCH
(MARCH 16-23) BUNDESBANK MONETARY RESERVES INCREASED BY

DM 0.3 BILLION TO DM 86.2 BILLION. HOLDINGS OF LIQUID
FOREIGN EXCHANGE ROSE BY DM 64 MILLION WHILE GROSS
LIABILITIES DECLINED BY ABOUT DM 240 MILLION.

5. BANK LIQUIDITY: DURING THE SECOND WEEK OF MARCH
BANK LIQUIDITY INCREASED BY DM 1.7 BILLION. PRINCIPAL
FACTORS INCREASING LIQUIDITY WERE A SUBSTANTIAL DECLINE
IN THE BANKS' HOLDINGS OF RESERVES AT THE BUNDESBANK

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(DM 5.5 BILLION) AND THE USUAL REDUCTION IN CURRENCY
IN CIRCULATION IN THE THIRD WEEK OF A MONTH (DM 1.5
BILLION). BANK LIQUIDITY WAS MAINLY REDUCED BY

TAX PAYMENTS WHICH INCREASED OFFICIAL NET ASSETS HELD AT THE BUNDESBANK BY DM 4.7 BILLION. OTHER FACTORS, NET, REDUCED LIQUIDITY BY DM 0.6 BILLION. THE BANKS USED THE INCREASED LIQUIDITY TO REDUCE REDISCOUNT BORROWINGS AT THE BUNDESBANK BY DM 1.8 BILLION; AT THE SAME TIME THEY INCREASED LOMBARD BORROWINGS BY DM 0.1 BILLION.

6. BOND MARKET: DURING THE REPORTING WEEK THE FAZ AVERAGE YIELDS TO MATURITY OF OUTSTANDING DOMESTIC BONDS DEVELOPED AS FOLLOWS:
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8 PERCENT 7 PERCENT 6 PERCENT

MAR 27	9.13	9.20	8.82
APR 1	9.14	9.24	8.81
2	9.12	9.24	8.80
3	9.13	9.27	8.79

ON APRIL 3 THE EUROPEAN COAL AND STEEL COMMUNITY ISSUED A DM 150 MILLION LOAN (COUPON 8.5 PERCENT, ISSUE PRICE 99, AVERAGE MATURITY 6.5 YEARS). ON APRIL 10 THE FINNISH INDUSTRIAL MORTGAGE BANK WILL ISSUE A DM 80 MILLION LOAN GUARANTEED BY THE FINNISH GOVERNMENT (COUPON 9 PERCENT, ISSUE PRICE 98, AVERAGE MATURITY 6 YEARS). THE DM 100 MILLION LOAN OF THE COUNTY COUNCIL OF STOCKHOLM (SEE BONN 5087) CARRIES A COUPON OF 8 3/4 PERCENT, AN ISSUE PRICE OF 99 AND AN AVERAGE MATURITY OF 8 YEARS.
HILLENBRAND

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